

## Message Text

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SUBJECT: COUNCIL OF MINISTERS MEETS TO APPROVE DRAFT TENTH FIVE  
YEAR PLAN AND REVIEW 1976 PLAN RESULTS

REF: (A) MOSCOW 3419 (B) MOSCOW 9634

1. SUMMARY. ACCORDING TO THE CENTRAL PRESS, THE USSR COUNCIL OF MINISTERS MEETING ON JULY 14 APPROVED "ON THE WHOLE" THE DRAFTS OF THE TENTH FIVE YEAR PLAN (1976-80) AND THE 1977 PLAN AND ENDORSED THE DRAFT 1977 STATE BUDGET. ALL THREE DRAFTS WILL NOW UNDERGO FURTHER STUDY AND WILL BE SUBMITTED FOR CONSIDERATION BY THE USSR SUPREME SOVIET. NO DATE, HOWEVER, WAS MENTIONED FOR THE SUBMISSION. THE COUNCIL OF MINISTERS ALSO EXAMINED THE 1976 PLAN RESULTS WHICH FOUND THAT INDUSTRIAL PRODUCTION IN THE FIRST SIX MONTHS ROSE BY 5 PERCENT OVER THE SAME PERIOD IN 1975. THE ANNUAL PLAN TARGET IS 4.3 PERCENT. LABOR PRODUCTIVITY ROSE BY 3.5 PERCENT COMPARED WITH THE 3.4 PERCENT SET FOR 1976. TARGETS WERE OVERFULFILLED BY ALL INDUSTRIAL MINISTRIES, INCLUDING THE CHEMICAL INDUSTRY WHICH

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PREVIOUSLY HAD LAGGED. RESULTS, HOWEVER, REMAIN MIXED

AND SEVERAL SHORTCOMINGS WERE NOTED: OUTPUT GOALS FOR CERTAIN IMPORTANT TYPES OF GOODS WERE NOT MET; GROWTH OF LABOR PRODUCTIVITY IN CONSTRUCTION FELL SHORT OF TARGET"; AND MANY NEW PLANTS WERE NOT BROUGHT ON STREAM ON TIME. PARTICULAR ATTENTION WAS PAID TO THE NECESSITY FOR TAKING "ALL STEPS" TO ENSURE SUCCESS OF THE HARVEST THIS YEAR. END SUMMARY.

2. THE CENTRAL PRESS ON JULY 15 CARRIED AN ANNOUNCEMENT THAT THE USSR COUNCIL OF MINISTERS HAD MET ON JULY 14 AND "ON THE WHOLE" HAD APPROVED THE DRAFTS OF THE TENTH FIVE YEAR PLAN, AND THE 1977 PLAN, AND ENDORSED THE DRAFT 1977 STATE BUDGET. THESE DRAFTS WILL NOW BE STUDIED FURTHER BY THE PRESIDUM OF THE COUNCIL OF MINISTERS, THE CHAIRMEN OF THE UNION-REPUBLIC COUNCILS OF MINISTERS, MINISTERS AND DEPARTMENT HEADS TO ENSURE A BALANCE ON ALL LEVELS BETWEEN PRODUCTION, CONSTRUCTION, MATERIAL-TECHNICAL AND FINANCIAL RESOURCES. THE DRAFTS WILL THEN BE SUBMITTED FOR "CONSIDERATION" TO THE USSR SUPREME SOVIET, BUT NO DATE WAS GIVEN. FYI: IN MARCH, THE 25TH PARTY CONGRESS HAD SET SEPTEMBER 1976 AS THE TIME FOR SUBMISSION OF THE PLAN TO THE SUPREME SOVIET (REF A). END FYI.

3. THE COUNCIL OF MINISTERS ALSO REVIEWED PLAN RESULTS FOR THE FIRST SIX MONTHS OF 1976. INDUSTRIAL PRODUCTION ROSE BY 5 PERCENT OVER THE SAME PERIOD IN 1975. THE ANNUAL TARGET IS 4.3 PERCENT. PRODUCTION TARGETS WERE OVERFULFILLED BY ALL INDUSTRIAL MINISTRIES. LABOR PRODUCTIVITY ROSE BY 3.5 PERCENT AS AGAINST THE 3.4 PERCENT SET IN THE 1976 PLAN. 4 BILLION RUBLES IN ABOVE PLAN OUTPUT WAS REALIZED.

4. PERFORMANCE, HOWEVER, REMAINS UNEVEN. THE PRESS ANNOUNCEMENT NOTED SEVERAL SHORTCOMINGS IN PLAN FULFILLMENT: SEVERAL MINISTRIES, WHILE MEETING PRODUCTION GOALS, FAILED TO MEET SPECIFIC TARGETS ON SOME OF "THE MOST IMPORTANT" TYPES OF PRODUCTS IN THE PLANNED VARIETY; GROWTH TARGETS FOR LABOR PRODUCTIVITY IN CONSTRUCTION WERE NOT MET; AND MANY MINISTRIES LIMITED OFFICIAL USE

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FAILED TO MEET TARGETS FOR BRINGING NEW PRODUCTION CAPACITY ON STREAM.

5. THE MINISTERS ALSO PAID "SPECIAL ATTENTION" TO THE NEED FOR TAKING "ALL MEASURES" TO COMPLETE PREPARATION IN THE UPCOMING DAYS OF AGRICULTURAL EQUIPMENT FOR THE HARVEST, TO ENSURE SUCCESSFUL CONDUCT OF HARVESTING THIS YEAR, STORAGE OF GRAIN, FULFILLMENT OF PLANS FOR

PURCHASE OF AGRICULTURAL PRODUCTS, STOCKING OF SEEDS, AND PREPARATION OF ANIMAL FEEDS. PREVMIER KOSYGIN ADDRESSED THE MEETING BUT NO DETAILS WERE REPORTED IN THE PRESS.

6. A COMMENTARY IN EKONOMICHESKAYA GAZETA, NO. 29, JULY ADDED SOME INTERESTING DETAIL ON THE 1976 RESULTS. JUNE INDUSTRIAL PRODUCTION INCREASED BY 5.6 PERCENT AND LABOR PRODUCTIVITY ROSE BY 4.4 PERCENT. MONTHLY TARGETS WERE NOT MET BY THE MINISTRIES OF MACHINE BUILDING FOR LIGHT AND FOOD INDUSTRY, TIMBER AND WOOD PROCESSING, AND CONSTRUCTION OF ROAD BUILDING EQUIPMENT. MEAT PRODUCTION WAS ONLY 71 PERCENT OF THE OUTPUT IN JUNE 1975. THE BEST PERFORMERS FOR THE FIRST HALF OF THE YEAR WERE ELECTRIC POWER, FUEL, INSTRUMENTS, VARIOUS MACHINERY AND EQUIPMENT AND CONSUMER GOODS.

7. MUCH OF THE JOURNAL'S COMMENTARY HOWEVER DEALT WITH THE "VSTRECHNYE PLANY" OR ENTERPRISE LEVEL PLANS DESIGNED TO IMPLEMENT THE LARGER PLAN TARGETS. WHILE ADVOCATING ADOPTION OF SUCH PLANS, THE ARTICLE PLACED SOME OF THE BLAME FOR POOR QUALITY GOODS, LACK OF EFFICIENCY AND UNEVEN OUTPUT ON FAILURE OF THE ENTERPRISE PLANS TO DEAL WITH THESE AREAS. IN THIS CONTEXT, THE COMMENTARY MADE THE FOLLOWING OBSERVATION, "AS A RESULT OF THE IMBALANCES BETWEEN PRODUCTION PLANS AND MATERIAL-TECHNICAL SUPPLY, FINANCIAL AND LABOR RESOURCES, AS A RESULT OF INADEQUATE COORDINATION OF THE PACE OF DEVELOPMENT OF PRODUCTION ON INTER-SECTORAL LINES, MANY DIFFICULTIES HAVE BEEN ENGENDERED. IN PRACTICALLY EVERY MINISTRY THERE ARE ENTERPRISES WHICH WERE UNABLE TO OVERCOME THESE DIFFICULTIES IN THE SIX MONTHS, NOT FULFILLING PLAN TASKS AND SOCIALIST LIMITED OFFICIAL USE

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OBLIGATIONS."

8. COMMENT. THE PRESS ANNOUNCEMENT OF THE COUNCIL OF MINISTERS MEETING INDICATES THAT THE DRAFT TENTH PLAN IS STILL THE SUBJECT OF CONSIDERABLE DEBATE. THE ADMISSION THAT SPECIFIC DETAILS REMAIN TO BE WORKED OUT AND THE OMISSION OF THE SEPTEMBER TARGET DATE FOR SUBMISSION TO THE SUPREME SOVIET COULD MEAN THAT THE DATE WILL SLIP.

9. THE SIX MONTH PLAN FIGURES INDICATE THAT JUNE WAS GENERALLY A GOOD MONTH, BUT THAT UNEVEN PERFORMANCES REMAIN WIDESPREAD. THE CHEMICAL INDUSTRY IN PARTICULAR PERFORMED WELL ENOUGH TO REMOVE ITSELF FROM THE DELINQUENT LIST (REF B). THE ITEM IN THE EKONOMICHESKAYA

GAZETA COMMENTARY, HOWEVER, IN OUR VIEW, BEST SUMMARIZES  
THE PERSISTENT TENSION BETWEEN SOVIET PLANS AND  
MATERIAL AND LABOR RESOURCES, IRRESPECTIVE OF MONTHLY  
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